



ITA Accounting Memorandum 2006-02

December 5, 2005

MEMORANDUM FOR: Program Managers and Resource Managers
FROM: Leslie Hyland, Director of Accounting and Financial Systems
SUBJECT: Actual Cost Recovery Under Reimbursable Agreements

It is the policy of the International Trade Administration (ITA) that program areas should recover the actual cost of goods and services provided under reimbursable agreements. This Accounting Memorandum provides guidance on determining costs to be recovered.

Under the authority of the Economy Act, the International Trade Administration (ITA) enters into a number of agreements with other Federal organizations, including other Department of Commerce components, to receive or provide goods or services. The Economy Act stipulates that a provider should recover the actual cost associated with providing goods and services. Most agreements under which ITA provides goods and services include provisions for recovery of readily identifiable out-of-pocket costs such as contractor and vendor costs and travel and transportation. The agreements usually do not provide for the recovery of certain direct costs such as the basic pay of personnel or indirect costs such as employee fringe benefits or overhead. These costs are material in amount and under the Economy Act should be recovered. The following addresses the approach to determining the costs of basic pay, fringe benefits, and overhead to be recovered under reimbursable agreements.

Basic Pay and Fringe Benefit Costs

In instances where specific staff members who will provide services under an agreement are known, basic pay and fringe benefit cost data by individual staff member are available in the ITA 421 Report. In instances where career series and pay grades have been determined but specific staff members have not been identified, the mid-range of the pay grade, e.g., GS-14, Step 5, should be used. An overall ITA fringe benefit rate can be calculated using summary data from the ITA 421 Report.

Overhead Costs

While there are several approaches to determining an ITA overhead rate, a simple, easy-to-use approach is to use the overhead rate established by the Office of Management and Budget (OMB) in OMB Circular A-76, *Performance of Commercial Activities*. To ensure consistency in determining the costs of Federal activities for public-private sector comparisons, OMB has established an overhead rate of 12% of total personnel costs,



including fringe benefits. This overhead rate should be used for all ITA reimbursable agreements.

If you have any questions, or require additional information, please contact me on 202-482-5434 or at Leslie.Hyland@mail.doc.gov.

Cleared:



Jim Donahue, Deputy Chief Financial Officer